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OWNERS

or

SLAVES

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OWNERS

OR

SLAVES

*A Study of Property Ownership in
Modern Society*



JULY, 1947

THE CATHOLIC WORKER
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FOREWORD

In May 1947, the "C.W." published its first pamphlet, entitled "Australia's New Order." That pamphlet first examined critically the reconstruction program of the Australian Government and outlined briefly the principles which should inspire an organic society, i.e. a society which the "C.W." is desirous of forming.

This second "C.W." pamphlet, "Owners or Slaves," is concerned with the restoration of ownership to the workers. It discusses man's natural right to private ownership and examines the limits of that right. It analyses the extent of Government ownership in modern society and then attempts to show how the workers can be admitted to ownership in industry and agriculture.

CONTENTS

PART ONE

Principles of Private Ownership	5
(a) Private Ownership a Natural Right	5
(b) Government's Duty to Ensure Wide Distribution of Ownership	7
(c) Owners Must Use Property for Common Good	8
(d) Private Ownership May Assume Different Form in Present Society	9

PART TWO

Restoration of Ownership to the Workers	11
(a) Forces Making for a Wider Distribution of Ownership	11
(b) Ownership by Government	12
(c) Ownership in Agriculture	14
(i) Leasehold and Freehold	14
(ii) Special Problems of Ownership in Agriculture	15
(d) Ownership in Industry	16
(i) The Framework of Modern Industry	16
(ii) Small Businesses Throttled	18
(iii) Government's Duty to Protect Small Firms	19
(iv) Co-partnership needed for Large Scale Enterprise	21
(v) Co-partnership can be Made Effective	23

OWNERS or SLAVES

Part I

Principles of Private Ownership

(a) PRIVATE OWNERSHIP A NATURAL RIGHT.

The foundation of an organic society based on well-distributed property is the platform of the "Catholic Worker," and no true organic society can be obtained unless property is restored to the worker.

Industrial capitalism has witnessed the concentration of property in the hands of a few who have been able, as Leo XIII stated, "to lay upon the labouring masses a yoke little better than that of slavery itself."

A social system which permits such a concentration of property in a few hands must be regarded as unnatural and unjust. It is certainly directly opposed to Papal social teaching, which has stressed the right of the worker to private ownership.

What is property? It is the thing possessed, i.e., a man's clothes, a farmer's machinery, a student's fountain pen, a worker's tools. Ownership, as distinct from property, is the bond linking the owner with the object possessed. It is "an invisible link—a binding power."

To own a thing means that you have control over it. The essence of ownership, then, is control — the control exercised by a farmer over his farm, a garage owner over his garage, a student over his pen. Property is the object over which the control is exercised. We express private ownership commonly by saying, "That house belongs to Frank," "That shop is Wilson's," "That hat is Bill's." Private ownership extends to both consumption goods and production goods.

In his address on the fifth anniversary of the outbreak of war, Pope Pius XII stated, "The Christian conscience cannot admit as just, a social order which either denies in principle or renders impossible or nugatory in practice the natural right to property, whether in consumption goods or the means of production."

Consumption goods may be defined as those which are used for the direct satisfaction of wants, e.g., food and clothing. Production goods, on the other hand, are used in the production of other goods, and so satisfy wants indirectly, e.g., machines, tools and raw material.

Why is private ownership a natural right? St. Thomas Aquinas argued that this right was founded on principles which were logically deducible from the Natural Law. St. Thomas defined three reasons for private ownership:

OWNERS OR SLAVES

(1) "First, because every man is more careful to procure what is (needful) for himself alone, than that which is common to many or to all." Generally a man works harder on his own farm than as an employee on another person's farm.

(2) "Secondly, because human affairs are conducted in more orderly fashion if each man is charged with taking care of some particular thing himself, whereas there would be confusion if every-one had to look after any one thing indiscriminately."

(3) "Thirdly, because a more peaceful state is ensured to man if each one is contented with his own." If seats were not allotted at the Stadium, the main contest would become a minor incident in the general melee. St Thomas concludes, then, that private ownership is rooted in common sense.

Pope Leo XIII, however, went further than St. Thomas, and based the right to private ownership directly upon human nature. Leo XIII stated that this right is holy and inviolable because it is based upon the nature of man himself and belongs to the natural law in its full meaning. Man is a rational being possessing free will. Because of this attribute he can plan ahead and shape his existence intelligently and freely. To accomplish this he needs to possess on his own behalf both consumption and production goods.

Pope Pius XII stated: "It is no less certain that this private property is in a special manner the natural fruit of labour, the product of an intense activity on the part of the man who acquires it, through his active will, to ensure and improve his own person, his own living conditions and those of his family, to create for himself and those dear to him a field in which they may rightly enjoy not only economic freedom, but also political, cultural and religious freedom."

If ownership is not private but is concentrated in the hands of the State or in the hands of a few capitalists, then a man cannot plan his life freely and intelligently for real power and real control would be exercised by anonymous bureaucrats or powerful capitalists.

Moreover, it is natural for man to work, and, through his work, to give expression to his personality. His work bears the imprint of his personality. It is a part of him, just as a child is a part of his parents. The farmer imprints his personality on his farm. It becomes a part of him. An architect imprints his personality on his blueprint. It becomes a part of him.

The industrial worker should have a similar opportunity to express his personality. But, under our modern system, he is deprived of any share in the ownership or control of the undertaking. He remains a "cog in the machine," and work becomes a drudgery. The modern industrial system, then, is completely opposed to the real nature of man. It must, then, be condemned as intrinsically wrong and evil, so long as the worker is unable to participate in the control of the factory and so long as certain forms of division of labour transform the workers into mere automatons. Consequently, the very nature of man demands that the workers be admitted to a share in the ownership and control of the industrial process in which they are employed.

Eric Gill, in "Work and Property," outlined this in his own inimitable fashion as follows: "And another and ultimately more important reason for individual appropriation of the means of production — so important as completely to obliterate any other — is the fact that only when men own the means of making is it possible for work to be what it is meant to be, the praise of God, a song of praise, a sacrifice of praise. Praise is its real and only enduring reason of being, and to that end, much more

OWNERS OR SLAVES

than to the end of human service, individual appropriation of the means of production is necessary."

The right of a worker to ownership is a fundamental one. No Government or individual can defraud the worker of that just right. "It is a prime duty of the State to recognise and protect man's right to private ownership." ("Work and Property," Eric Gill).

(b) GOVERNMENT'S DUTY TO ENSURE WIDE DISTRIBUTION OF OWNERSHIP.

The right to private ownership, however, does not sanction the present economic system which concentrates ownership in a few hands and deprives the mass of the people of their natural right.

The right to private ownership is a natural right because man is an intelligent being, capable of planning ahead intelligently and of shaping his own destiny. But he can only plan ahead freely if he owns property privately; if this be not the case he will be dependent on those people who do own the property.

The right to private ownership, then, is based on the natural law, but the natural law makes no division of ownership between individuals and corporate entities within the State. This division arises because of the particular circumstances within a particular State. Moreover the natural law would seem to confer the right to private ownership, as Dr. Coffey stated in his pamphlet, "Property for the People," only of sufficient property as would enable an individual and his family to lead a decent and free existence.

If a social system arises in which ownership is concentrated in the hands of a few individuals, the mass of the nation would be deprived of their natural right to plan their lives freely and to exist properly.

Pope Pius XII stated that "the Christian conscience cannot admit as just, a social order which . . . renders impossible or nugatory in practice the natural right to property."

The late Dom Virgil Michel (who published a series of outstanding books on private ownership) concluded that such a "system defeats the very principle on which it is ultimately based and by which it must be finally justified or condemned."

EXPROPRIATION JUSTIFIED

The property in excess of that required for a decent existence is only possessed by the individual on the tacit approval of the State. Therefore, the Government can decide, in the interests of the common good, to resume the excess property or part of it in order that others may exercise their natural right to private ownership. Dom Virgil Michel concluded that "force may have to be used to change a social system of private ownership that has come to work against the fundamental principle."

Pope Pius XII made the right of the State to dispossess property owners of their excess property quite clear when he stated on the occasion of his fifth anniversary speech: "The State may in the public interests intervene by regulating its use or even, if it cannot equitably meet the situation in any other way, by decreeing the expropriation of property giving a suitable indemnity."

The Pope stated that the dispossessed must be given a "suitable indemnity." He did not state that he should be given what his property is worth. It is quite conceivable that a "suitable indemnity" may be less than the actual current value of the property.

In fact, the late Archbishop Sheehan, in an article in the Australian Catholic Record, April, 1932, wrote: "I would even venture to say that in

OWNERS OR SLAVES

some instances no compensation whatever need be given; rather, that restitution for a long series of iniquitous dealings with the public could be demanded."

We can summarise the limits to ownership as follows:

1. The right of an individual to private ownership of property is a natural right;
2. But an individual only has a natural right to that amount of property which will enable himself and his family to live a decent existence.
3. Any property he possesses in excess of this amount, he holds, not as a natural right, but on the tacit approval of the State.
4. A Society which allows the concentration of private ownership in the hands of a few individuals and which deprives the mass of the workers of ownership is an unjust society.
5. To remedy this injustice and to promote a wider distribution of property, the State may expropriate those in possession of excess property.
6. The indemnity which the State is required to pay to the expropriated will vary with the case.

RIGHT OF DISPOSAL

One of the principal distinguishing features of true ownership is the owner's right to be able to sell, transfer or give his property as an inheritance. The owner's right of disposal was explicitly stated by Pope Leo XIII in "Rerum Novarum" as follows:

"A working man's little estate should be as completely at his full disposal as are the wages he receives for his labour. But it is precisely in such power of disposal that ownership obtains, whether the property consists of land or chattels."

Again Pope Pius XI wrote in "Quadragesimo Anno": "Man's natural right of possessing and transmitting property by inheritance must remain intact and cannot be taken away by the State." It is "unlawful for the State to exhaust the means of individuals by crushing taxes and tributes."

Any attempt by the State, then, to interfere with this right of disposal must be carefully scrutinised to see if it conflicts with one of the basic rights of true ownership.

(c) OWNERS MUST USE PROPERTY FOR COMMON GOOD.

Property owners, under the capitalist system, have argued that they can do what they like with their property. Frequently, they have squandered the nation's assets and exploited their fellow men by the unjust use of their property.

A Christian cannot admit the right of a property owner to do what he likes with his property, for a Christian holds that a man is steward of his property and bound to administer it for the common good.

Private ownership of property has a social and an individual aspect. The individual aspect consists in the natural right of a person to possess property as his own. But man's right to private ownership is social in-so-far as it affects the common good. An owner is bound to use his property in a manner which will promote the common good.

A simple illustration will serve to make this distinction clear. A man may have the right to own a gun. But he cannot use the gun to get rid of everyone he dislikes.

OWNERS OR SLAVES

Pope Pius XI wrote: "The right to property must be distinguished from its use. It follows from the two-fold character of ownership, which we have termed individual and social, that men should take into account in this matter not only their own advantage, but also the common good. To define in detail these duties, when the need occurs and when the natural law does not do so, is the function of the Government."

Pope Leo XIII stated: "The limits of private possession have been left to be fixed by man's own industry and the laws of individual peoples."

The State, then, has the right and the duty to regulate the use of a person's property in order to protect the rights of other persons or in order to protect the common good. The right to private ownership of property is inalienable, but the use is controllable.

STATE'S RIGHT TO CONTROL

The right of the State to regulate the use of property is freely admitted in practice. Most agree that the State has the right to instruct a landlord to destroy any vermin on his property. Most would also agree that the State has the right to prevent soil erosion and to compel farmers to take specific measures to eliminate soil erosion on their farms.

This, on certain land, may even extend so far as to limiting the number of stock the land can carry. In Queensland certain leases are granted on the condition that the lessee carries out certain work or improvements. This is a particularly good example of the State regulating the use of property in the public good.

The private owner of property is bound to administer his property in accord with the demands of justice. He is bound to pay a just wage to his employees, to see that they work in decent conditions, to ensure that they do not work over long hours, to see that they are treated as human beings and not as economic goods. He is bound to sell his products at a just price and not to exploit the consumer. In fact, he is bound to administer his property as a steward accountable to God for his actions.

EXCESS PROPERTY

"At the same time," stated Pope Pius XI, "Man's superfluous income is not left entirely to his own discretion. We speak of the portion of his income which he does not need in order to live as becomes his station. On the contrary, the grave obligations of charity, beneficence and liberality which rest upon the wealthy, are constantly insisted upon in telling words by Holy Scripture and the Fathers of the Church."

An owner is bound, then, to give from his excess property to those in want. If the want be extreme, the obligation is one of justice; if the want be real but not extreme, charity demands this almsgiving. In fact, a man whose want is extreme and who cannot obtain sustenance for his family is permitted without fault to take from those who have more than enough for their sustenance.

An owner is required to administer his property in the common good and to ensure that property is administered for the common good. This duty compels the State to intervene and to regulate the use of property. The old capitalist idea of private ownership of property was a pagan concept, not a Christian one.

(d) PRIVATE OWNERSHIP MAY ASSUME DIFFERENT FORM IN PRESENT SOCIETY

Catholic social philosophers advocate a form of society in which the mass of men have the opportunity to become private owners. The tone of such a society would be determined by the owners.

Some men, of course, would not wish to become property owners, but would prefer to work for wages. There can be no quarrel with this, as there is nothing essentially wrong with the wage contract, provided the worker is paid a just wage.

Such a form of society is in striking contrast, on the one hand, with the present capitalist system which has concentrated ownership and control in a few hands and has deprived the mass of workers of any chance to become property owners, and on the other hand with a socialist system which would concentrate ownership and control in the hands of a few State officials and would deny ownership to the mass of workers.

The maldistribution of property in the pre-war system in Australia can be assessed from the following table. The figures are derived from probate figures, and give some idea of how property is owned by a few:

1½ per cent left 33 per cent of property passing;
15½ per cent. left 48 per cent. of property passing;
23 per cent. left 19 per cent. of property passing;
60 per cent. did not leave sufficient property to
necessitate the taking out of probate.
Probate duty is rarely payable on property below £500.

Many would justify the present system on the ground that ownership is distributed among the thousands of shareholders of the various companies, but shareholders, as a general rule, have no control over the company in which they are interested. Real control is exercised by the directors of the company, and the wishes of the shareholders are ignored. Such nominal ownership is a mockery of true ownership, the keynote of which is the control exercised by the owner over his property.

The present set-up, moreover, deprives the individuals actually engaged in the productive processes, i.e. the worker, technician, etc., of any control over the operations through which they express their personality. Such a system cannot be justified, nor can it endure.

FORM OF OWNERSHIP VARIES

We must, however, be prepared to adjust our ideas of ownership to the prevailing social conditions. Pope Pius XI made this quite clear when he wrote:

"History proves that the right of ownership, like other elements of social life, is not absolutely rigid, and to this doctrine We have given utterance on a previous occasion in the following terms: 'How varied are the forms which the right of property has assumed! First the primitive form in use among rude and savage peoples, which still exists in certain localities even in our own day; then that of the patriarchal age; later came various tyrannical types (We use the word in its classical meaning); finally the feudal and monarchic systems down to the varieties of more recent times. It is plain, however, that the State may not discharge this right in an arbitrary manner However, when civil authority adjusts ownership to meet the needs of the public good, it acts not as an enemy, but as the friend of private owners.'"

This is quite obvious in agriculture where private ownership has adopted diverse forms in various countries and various ages. In some places the clan system of ownership may prevail; in others freehold or some form of leasehold. The form of ownership in industry has also undergone several transformations through the years.

At the present time it should be our aim to establish a form of private ownership of property in harmony with the nature of the economic society in which we live. This may mean a complete break with our past thinking on ownership. Unless, however, we give serious study and attention to this problem it is useless demanding the restoration of ownership to the workers.

Part II

Restoration of Ownership to Workers

(a) FORCES MAKING FOR A WIDER DISTRIBUTION OF OWNERSHIP

Certain social forces are making for a wider distribution of ownership in our modern economic system. These forces must be recognised and encouraged in order to promote a more just form of society.

The first is the widespread feeling amongst all sections of the community that the old capitalist order has ended. It is realised that the new order which will emerge must give the workers a greater say in the control of production.

Both employers and employees appreciate this general trend. The general dissatisfaction with the old order and the emphasis being placed on the worker's place in industry should ensure wider participation by the workers in the ownership of productive enterprises.

The second influence making for a wider distribution of ownership is the increase in the numbers of and the rise of a new type of middle class. Many workers become skilled technicians and rise to important positions in the factories in which they are employed.

Increasing numbers, then, of workers, both technical and administrative, are becoming relatively highly paid executives. These executive officers want to be something more than paid employees. They want some status in the enterprises; they require some control over its operations; they wish to share in the ownership.

Some satisfy this desire by obtaining enough capital to commence a small business of their own; most, however, remain in the enterprise and, despite their good salaries, remain dissatisfied with the conditions under which they work. The rise of the managerial middle class and their desire to share in the ownership of an enterprise is a very important influence, making for a wider distribution of ownership.

The third influence inducing a greater distribution of ownership is the growth of service industries. Colin Clark examines this influence in his pamphlet: "Property and Economic Progress."

Clark pointed out that the numbers engaged in agriculture have been declining for some years. He contended that the numbers engaged in manufacturing will also decline after a certain point. He concluded that there will be an increase in the numbers engaged in the service industries, i.e., trade, building, transport, hotels, entertainments, professions. "In most of these service industries large scale organisation is the exception rather than the rule, and the working proprietor again comes into his own." Thus this influence which should become more and more significant will promote the distribution of ownership.

The fourth influence making possible a wider distribution of ownership is the use of electricity as a source of power. Electricity makes available to the smallest unit in some remote country town the same power as is possessed by a large unit in a city.

Prior to the spread of electricity the small unit, requiring a large amount of power, could not exist, as a big plant was needed to produce

OWNERS OR SLAVES

the power. Electricity, in itself, cannot be said to promote a wider distribution of ownership, but it can quite easily be used for that purpose.

There, then, are four important social forces making for a wider distribution of ownership. These forces must be recognised and used to obtain our objectives.

(b) OWNERSHIP BY GOVERNMENT.

Too many Australians cry "Socialism" when the Government decides to operate an industry. They do not stop to think that it may be the Government's duty to run that particular industry. Some Catholics particularly choose to ignore Papal teaching that "certain forms of property must be reserved to the State."

The primary function of the Government in the economic sphere consists in "directing, watching, stimulating and restraining, as circumstances suggest or necessity demands" in order to promote a healthy economic order. The Government, as it were, has its hand on the pulse of the economic system and intervenes to correct any illness or to promote a reform. The extent of the Government's interference will be determined by the nature of the illness or reform.

In "Quadragesimo Anno," Pope Pius XI stated: "None the less, just as it is wrong to withdraw from the individual and commit to the community at large what private enterprise and industry can accomplish, so too it is an injustice, a grave evil and a disturbance of right order for a larger and higher organisation to arrogate to itself functions which can be performed efficiently by smaller and lower bodies." This statement would seem to place definite limits to Government's ownership.

Father De Marco, S.J., in an authoritative article in "Civiltà Cattolica," September 7th, 1946, commenting on a letter written by Pope Pius XII on July 10th, 1946, to the President of the French Social Weeks made these limits clear. Father De Marco wrote: "The Church cannot ignore that excessive nationalisation, with the economic power which it places in the hands of the State, does not solve the complex social problem. Excessive nationalisation rather displaces, and like any other excess, aggravates the problem by strengthening a weapon that can be used for oppression and shifting such a weapon from the hands of private capitalists to the hands of those who hold the fate of the country."

Father De Marco continues by stating that the aim should be to establish a "juridical order in which human dignity can be effectively protected . . . from any oppression, either political or economic, from whatever side it may come; from the State no less than from the private capitalist."

GOVERNMENT RUN CERTAIN INDUSTRIES

How far, then, should Government ownership extend? A very definite lead is given to us by Pope Pius XI in his same encyclical, "Quadragesimo Anno." He wrote: "For it is rightly contended that certain forms of property must be reserved to the State, since they carry with them an opportunity for domination too great to be left to private individuals without injury to the community at large."

It is not a case of the State being able to run these industries more efficiently than private enterprise. Efficiency has nothing to do with it. It is a moral reason. If the Government does not operate these industries, then the individuals who do will be able to dominate the community. The Government must interfere to prevent such domination.

OWNERS OR SLAVES

Father De Marco contends that "nationalisation of certain enterprises is, in special cases, not only licit but also opportune." Pope Pius XII, in a discourse on March 11th, 1945, stated that nationalisation is licit and opportune "only in such cases where it appears to be truly required by the common good, that is, as a means of effectively remedying an abuse or the squandering of a country's productive forces, and of directing these forces to the development of the material prosperity of all—a prosperity which also provides a solid foundation for the cultural and religious life."

What industries "carry with them an opportunity for domination too great to be left to private individuals without injury to the community at large"? In general, those industries which naturally tend to be monopolies.

The Vatican City newspaper, "Osservatore Romano" (November 22, 1934), gave as examples, hydro-electric power stations, public utilities, munitions of war. Public utilities cover a wide range of industries, including tramways, railways, electricity, gas, etc. Moreover, the social structure may determine what are and what are not public utilities. A luxury industry may easily develop into a public utility, e.g., airways.

Father De Marco mentioned large banks, transportation, war industries and certain chemical industries. He continued by stating that the State may also have cause to nationalise other enterprises in addition to those mentioned, in order to have an effective influence on the market and create conditions under which competition could be improved and productive energies directed towards greater production in accordance with the general interests of the national community.

UNNATURAL MONOPOLIES

Many existing monopolies are not natural, but have been produced by the unscrupulous policy of the monopoly. In Australia this has certainly been true in the sugar-refining, glass and brewing industries. Once the monopoly is formed, has the Government a duty to nationalise them?

The Government should not nationalise them unless this be the only means of killing the monopoly, since the monopoly was only made possible because the Government neglected its primary function of protecting the common good, and permitted a larger organisation "to arrogate to itself functions which can be performed efficiently by smaller and lower bodies."

On the contrary, should an unnatural monopoly develop, it is the Government's function to smash that monopoly and so permit the re-growth of a healthy competition in that industry.

Once the Government decides to nationalise an industry, what form should the Government enterprise take? In some instances it is a Government Department, e.g., Post Office; in other instances some type of independent commission, e.g., State Electricity Commission; in other instances a combination of private and Government enterprise, e.g., Commonwealth Oil Refinery, Amalgamated Wireless.

It is obvious that there is wide scope for investigation here by technical experts, the question to be determined in any particular instance being: "What form of enterprise combines maximum efficiency with the requisite Government direction?"

Government ownership will extend a long way in our modern social structure. But it should be pointed out that, if our modern society were organised on an organic basis, then a good deal of the Government ownership would be eliminated, as the industrial councils would own and operate the undertaking co-operatively on behalf of their members.

(c) Ownership in Agriculture

(i) LEASEHOLD AND FREEHOLD

In agriculture the form which ownership takes has varied greatly through the centuries and between countries. Ownership has been shaped to prevailing economic and social conditions.

At the present time in Australia there is a conflict between those who advocate freehold in agriculture and those who advocate some form of leasehold. What should be our attitude on this basic problem?

Under freehold tenure the owner possesses the title to the land and holds it outright. He can do what he likes with his land provided he fulfils certain obligations imposed on him by the Government, e.g., he must destroy noxious weeds. These obligations have generally not been sufficiently rigorous to protect the common good. Freehold tenure is most common in Victoria.

Under a leasehold system, on the other hand, the occupier holds his land as a lessee of the State. A leasehold system usually assumes one of the following forms:

- (1) Perpetual leasehold.
- (2) Leasehold limited as to time, e.g., 25 years.
- (3) Leasehold limited as to usage, e.g., lessee must clear a certain percentage of the land.
- (4) A combination of (2) and (3).

DOES A LEASEHOLD SYSTEM AGREE WITH PAPAL PRINCIPLES OF OWNERSHIP?

To answer this question correctly we must apply to the leasehold system the tests which we have outlined for true ownership. The three essentials are to have, to use, and to dispose. In other words, the owner must have real control over his property.

Under perpetual leasehold these essentials seem to be safeguarded. The owner possesses his property in perpetuity, he can use it as he considers fit and he can dispose of it if he so desires. In fact, the true perpetual leasehold system is very close to the freehold system.

A leasehold limited as to duration requires closer examination. Generally the leaseholds are limited in this respect in order to permit the State to re-assess the rental or to enable the State to dispossess the tenant who is abusing the land. There can be no quarrel with either of these purposes.

A State has a perfect right to reassess the rental and so prevent the tenant benefiting from any unearned increment. On the other hand, the tenant may benefit if the rent is reduced because the State considers the value of the land has decreased. Similarly, it is the duty of the State to dispossess tenants who are exploiting the land.

Leaseholds limited as to duration seem to conform with our principles provided first that the tenant has the right to renew his lease should he so desire; secondly, he has the right to transfer or bequeath his title; thirdly, he is recompensed for any improvements he makes.

Leaseholds limited as to duration are quite common in many Australian States, particularly Queensland and New South Wales. The duration of the lease varies generally from 25 years to 99 years.

Leasehold limited as to usage is also quite common in Australia. A good example is provided by the prickly pear leases in Queensland. These leases are conditional on the tenant clearing a certain proportion of the land each year. There can be no quarrel with this form of leasehold as it simply stresses our ideas on the stewardship of property. The lessee is bound to use his land in the interests of the common good.

Ownership in agriculture, then, can either assume the freehold or leasehold form. Perpetual leasehold closely approximates to freehold. Conditional leasehold fulfils our tests concerning ownership provided certain safeguards are observed.

(ii) SPECIAL PROBLEMS OF OWNERSHIP IN AGRICULTURE

The problem of ownership in agriculture is not only to procure the wider diffusion of property but also to ensure that the farmer's control over his property is really effective.

Too often the farmer becomes the victim of inflated land values and unjust farm prices and real control is exercised by wealthy pastoral companies and banks possessing mortgages and liens over his farm and its produce.

The problems of inflated land values and fluctuating farm prices are inter-related. Both must be tackled if the rural economy is to be established on a firm basis.

Under a freehold system of tenure, land values can be tackled either by an increment tax or by the prohibition of land transfers above a certain valuation. An increment tax would be imposed on the excess of the sale value over a basic value. The basic valuation could be either the valuation at a certain date, e.g., September, 1939, or February, 1942, or the productive value of the land as assessed for an average farmer by a skilled valuer's staff. It is suggested that the increment tax should be 75 per cent. or 80 per cent. of this excess. For example, if the sale value were £5,000, the basic value £4,000, and the increment tax 75 per cent., the tax would amount to £750.

The prohibition of land transfers above a certain valuation could operate also to prevent a sale above the market value prevailing on a certain date or above the productive valuation of the land as assessed by an approved valuation service. Present National Security Regulations prevent the sale of property above the market value in February, 1942.

In either of the above schemes allowance must be made for improvements made on the farm by the farmer. These are not so easy to assess as may be imagined. It is not easy to estimate the value of pasture and other improvements made by a farmer, and this paves the way for all types of corruption, evasion, and discrimination.

INFLATED VALUES UNDER LEASEHOLD

Under a leasehold tenure, not subject to re-assessment of rental, inflation of land values occurs through goodwill payments. For example, in the Australian Capital Territory where leaseholds are on a 99-year basis, goodwill payments occur when leases are exchanged.

Many leases, however, provide for the periodic re-assessment of rental payments in accordance with the changes in marked expectations. Theoretically these valuations should prevent inflated land values. In practice its success will largely depend on the correctness of the experts' appraisal of future prices and, as everyone knows, these are very difficult to judge correctly. If the farmer finds that his rental is changed frequently in accordance with the views of the experts, then it will undoubtedly lead to chaos in the rural economy.

OWNERS OR SLAVES

The fixation of a just price for farm produce would exert a stabilising influence on land values. There exists two distinct methods of determining a just price. It may be achieved by some form of a guaranteed price, e.g., the proposed wheat stabilisation plan; or by the establishment of a marketing organisation, operating a buffer stock, and making effective minimum and maximum prices, e.g., the wool plan.

Under a guaranteed price plan, the Government would guarantee a specific price for all the produce. Variations would naturally be made for variations in quality. In order, however, to limit its financial commitments, the Government would soon find that it would have to limit the production of a farmer of this particular product. This principle can be seen in the wheat plan which provides for control over the acreage a farmer may sow for wheat. If the guaranteed price system were extended to all farm products, the farmer would cease to have control over his farm, as bureaucrats would tell him just what he could produce. Real ownership would become a myth.

For that reason we oppose a general system of guaranteed prices and contend that they should only be introduced in those industries demanding a drastic solution where production is in chronic disequilibrium with demand.

A buffer stock would operate by the formation (preferably by the industry itself, if not, by the Government) of a marketing organisation for the industry which would intervene in normal marketing operations to buy when the market price fell below a certain level and to sell when the market price rose above a certain level.

The "Catholic Worker" favours the adoption of buffer stock plans for as many primary industries as possible, and of guaranteed price schemes only in cases of chronic maladjustment of production with demand. Since so many Australian primary industries depend on the overseas market, it would be difficult to ensure a just price for our primary products unless world farm prices were established. For that reason we should support any fair international plan to stabilise prices.

Should there be adopted an international arrangement for a primary product, it may be possible for the Commodity Control to ensure that, in the event of a glut of a particular commodity, the excess would be taken off the world market and sent to low standard countries, e.g., India, China, at a reduced price, or as a gift.

A final problem affecting ownership in agriculture is the operation of large estates unsuited by climatic conditions for individual ownership. In many instances these are operated by large pastoral companies. Ownership may revert to a co-operative form in these instances and the estate be owned by a group of operators.

(d) Ownership in Industry

(i) THE FRAMEWORK OF MODERN INDUSTRY

It is in secondary industry that the loss of ownership by the workers has been most widespread. It is in secondary industry that the concentration of ownership in the hands of a few has been most pronounced.

The problem of securing a wider distribution of ownership in secondary industry will be most difficult. Our task will be to obtain a form of property which will admit the workers to ownership and be in harmony with our modern economic system.

OWNERS OR SLAVES

To understand the problem which we have to tackle it is necessary to sketch, in general terms, the main outlines of our modern industrial system. The typical form of industrial undertakings is provided by the joint stock company. The joint stock company is a legal entity whose capital is subscribed by individual shareholders. The financial responsibility of each shareholder is limited to the amount of capital which he subscribed.

The joint stock company, being a "thing," can have no moral responsibility. It cannot, by its very nature, feel that it should pay a just wage or charge the consumer a just price.

Nor do the individual shareholders of the company feel any moral responsibility, for they hide their responsibility behind the legal facade which they have created.

In fact, the great mass of shareholders, once they have contributed their capital, cease to take any active interest in the undertaking. Control over the company is handed over to a small group of directors nominally elected by the shareholders, but really appointed by a small junta. Ownership of the company by shareholders is fictional and bears no relationship to the ideas which we have outlined on property. The directors, like the shareholders, feel no moral responsibility either to the public or to the workers.

Pope Pius XI, in "Quadragesimo Anno," condemned strongly the abuses of joint stock companies. He wrote as follows: "The regulations legally enacted for corporations, with their divided responsibility and limited liability, have given occasion to abominable abuses. The greatly weakened accountability makes little impression, as is evident, upon the conscience. The worst injustices and frauds take place beneath the obscurity of the common name of a corporate firm. Boards of Directors proceed in their unconscionable methods even to the violation of their trust in regard to those whose savings they administer."

Although the directors control the undertaking, the detailed direction is entrusted to technicians and managers. The technicians are the key men who are responsible for the successful operation of the plant. The managers control the administrative side.

In modern industry the technicians particularly and the managers are becoming more numerous and more important. The technicians and managers are nominally controlled by the directors. In fact the directors do not worry about the intimate working of the undertaking as they are generally not competent to direct these key men.

The directors are forced in practice to give the technicians and managers some control in the undertaking. But the workers are excluded from any share in its operation. In the early stages of capitalism, workers were treated as badly as possible, and paid as poorly as possible. The intervention of the Government, under pressure from the trade unions, has secured tolerable working conditions and a minimum wage for the workers. But dissatisfaction still exists and will continue to exist until workers are admitted to a "say" in the undertaking.

Within the working class a division is becoming increasingly evident. More and more workers are becoming skilled artisans and are receiving a premium for skill — a "margin for skill" as the Arbitration Court terms it.

GROWTH OF MONOPOLIES

Modern industrialism arose when our economic system was dominated by the ideas of the survival of the fittest. As a result it was considered quite proper for undertakings to stamp out competitors by any means at their disposal, fair or foul.

OWNERS OR SLAVES

The strongest company, which usually meant the most unscrupulous, survived in this struggle for power. It became the ambition of most small companies to become large companies and of most large companies to become monopolies.

All kinds of devices were employed to extend the domination of a large company, e.g., a company would hold a majority of the shares in a subsidiary company.

One final feature of the modern industrial system which needs to be noted is the interlocking of directorates. There arose a class of finance capitalists who were directors of the key industrial and financial undertakings. Control of industry became concentrated in this small minority.

Pope Pius XI depicted these abuses in "Quadragesimo Anno" when he wrote: "It is patent that in our days not alone is wealth accumulated, but immense power and despotic economic domination is concentrated in the hands of a few, and that those few are frequently not the owners, but only the trustees and directors of invested funds, who administer them at their good pleasure."

Such, then, are the main characteristics of the system prevailing at the present time in secondary industry. It will be our task to show how control can be taken from the few and handed over to the actual participants in the industrial undertaking.

(ii) SMALL BUSINESSES THROTTLED

The first plank in any platform for the greater diffusion of ownership in industry must be the protection and encouragement of small and medium size business units. As Pope Pius XII has said: "Small and medium holdings in agriculture, in the arts and trades, in commerce and industry, should be guaranteed and promoted."

It is just these small and medium size units which have suffered most from the unbridled greed of industrial capitalism. Large scale production is justified firstly on technological grounds. It is claimed that the nature of the plant makes large scale production necessary. Competent investigation is challenging this contention.

Theodore Beckman, in an article contributed to the supplement of the American Economic Review, March 1944, stated that leading industrial engineers in America, after an exhaustive survey of the industrial system, sponsored by the Society of Industrial Engineers, declared that in applying mass production methods "emphasis should be laid not on size but on production method. We have worked out optimum size plants for these four basic industries (machine tools, pig iron, timber, and petroleum products). In every case, the range of capacity is the small plant."

Even more interesting are the results of a study made by the Federal Trade Commission for the Temporary National Economic Committee of the American Senate on "Investigation of Concentration of Economic Power." An examination was made of 53 individual plant costs, with the following results:

Large size plants had the lowest costs in six cases.

Medium size plants had the lowest costs in 21 cases.

Small size plants had the lowest costs in 26 cases.

Five tests were made for groups of plants. In every group the plant classified as medium size had the lowest average cost as shown for any group.

Again, an investigation was made of the average value added per wage earner in 28 selected industries. In 15 of the industries small plants employing 250 workers or less had a greater contribution per worker than did large plants.

OWNERS OR SLAVES

EFFICIENCY ARGUMENT

So much, then, for the argument that large plants are needed on technological grounds. The second argument for large scale production is based on increased efficiency. If this be true, then it should be reflected in increased returns on invested capital or reduced costs of production.

Again, let us return to the findings of the Federal Trade Commission for the Temporary National Economic Committee on company size, not plant size, in relation to production costs and rates of return on invested capital.

(1)—PRODUCTION COSTS—

59 individual Company Tests were made.

In one case the largest company had lowest cost per unit.

In 21 cases a company classed as medium size had lowest cost per unit.

In 37 cases a company classed as small had the lowest cost per unit.

(2)—RATES OF RETURN ON INVESTED CAPITAL—

84 individual Company Tests were made.

In 14 cases companies classed as large showed the highest rate of return;

In 57 cases companies classed as medium size showed highest rate of return;

In 13 cases companies classed as small showed the highest rate of return.

Dr. William Crum in "Corporate Size and Earning Power" shows that when profitable corporations of all sizes are analysed, the highest rates of return on invested capital are earned by the smallest corporations.

The conclusion of the Federal Trade Commission on their investigations should be quoted: "Large size was most efficient, as efficiency is here measured, in approximately 11 per cent of the total tests, medium size was most efficient in approximately 55 per cent. of the tests, and small size was most efficient in approximately 34 per cent. of the tests."

If large scale production be not due to technological nor efficiency reasons, why is it so common? Let the Temporary National Economic Committee be quoted once again:

"But monopoly cannot be attributed to natural factors alone. It is the product of formal agreements and secret undertakings, of combinations, inter-corporate stockholdings and interlocking directorates; of the ruthless employment of superior financial resources and bargaining power; of unequal representation before legislatures, courts and administrative agencies, of the exclusion of competitors from markets, materials and sources of investment funds; of restrictive contracts and discriminatory prices; of coercion, intimidation, and violence . . . In nearly every case in which monopoly persists, it will be found that artificial factors are involved."

Pope Pius XI stated it more succinctly in "Quadragesimo Anno": "The accumulation of power, the characteristic note of the modern economic order, is a natural result of limitless free competition, which permits the survival of those only who are the strongest, which often means those who fight most relentlessly, who pay least heed to the dictates of conscience."

(iii), GOVERNMENT'S DUTY TO PROTECT SMALL FIRMS

The predominance of large business in modern industry is not due, then, to economic nor technological reasons, but mainly to the

OWNERS OR SLAVES

avarice and unscrupulousness of large companies. The Government has a duty to control this avarice, and to protect and foster small and medium size businesses.

But there is also a positive duty on small and medium businesses to help themselves. It is useless for them to rant against large companies unless they, by co-operation, are prepared to make themselves more efficient and better able to compete with their larger rivals. Pope Pius XII stated in his fifth anniversary speech: "Co-operative unions should ensure for them the advantage of big business."

The Government has the twin functions of assisting small businesses and of discriminating against large companies. One of the principal means of assisting small enterprises is by the determination, where possible and necessary, of a just price — a price fair to both consumers and producers. Producers would be prevented from selling above or below this price. This would eliminate one of the chief weapons employed by large firms against their smaller rivals i.e., forcing them from existence by dishonestly under-selling them.

Secondly, the Government can assist small businesses by conducting for them special research and by making available to them special information. United States Government Departments provide many specialised services for small businesses. The Secondary Industries Commission or the Department of Trade and Customs could provide similar services in Australia.

Thirdly, the Government could establish institutions which would assist small firms. The Australian Government provided a real need when it formed a special branch in the Commonwealth Bank to assist and to finance small enterprises. It is much easier for a large firm to secure a loan from the trading banks than the small firm. The Government should assist particularly the formation of Industrial Councils for each industry. One of the main functions of these Councils would be the protection of small and medium size firms and the prevention of large enterprises from developing.

But the Government has the allied function of discriminating against larger enterprises. The Temporary National Economic Committee of the American Senate recommended that no company merger should be permitted unless:

"The acquisition is in the public interest and will be promotive of greater efficiency and economy;

"It will not substantially lessen competition, restrain trade, or tend to create a monopoly;

"The size of the acquiring company after the acquisition will not be incompatible with the existence and maintenance of vigorous and effective competition in the trade;

"The corporations involved in such acquisition do not control more than such proportion of the trade as Congress may determine;

"The acquiring company has not, to induce the acquisition, indulged in any unlawful methods of competition."

The same Committee recommended, to prevent the undue concentration of firms, a national company law which would:

"(1) Prohibit interlocking directorates;

"(2) Make corporation directors trustees in fact as well as in name;

"(3) Prevent business dealings by corporation officers for their own personal profit with the corporations they manage;

OWNERS OR SLAVES

(4) Clearly define the scope of subsidiary companies and standardise inter-corporate finance."

Finally, the Committee recommended "an outright prohibition on the acquisition of stock in, or holding company control of, competing companies, with suitable exceptions for bona fide investments and the control of true subsidiaries."

DIFFERENTIAL TAXATION

One of the chief means of discriminating against the large enterprise is taxation. Taxation should be carefully loaded in favour of the small firm and against the large firm. Careful scrutiny is needed of existing taxation in Australia to see how it affects small firms.

We suggest that the following taxation methods should be employed:

(1) A tax should be devised to prevent one man or company owning a large number of shops or factories of the same kind. The tax should operate if a man owned two shops and would steadily rise with the number of shops owned until it made it impossible for one person to own beyond a certain number. In this way the small firm would be protected against the chain store.

(2) A small firm needs to be protected against the operations of the departmental store. This could be taxed on the number of categories of goods which it sold. This tax would steadily rise with the number of categories handled until it would be impossible for a firm to handle beyond a certain number. It could be operated on a licensing system. After all, a tobacconist or a hotel owner requires a licence to operate. Why could not this idea be extended to other goods?

(3) The small firm needs to be protected against the large retailer who handles only one line and possesses only one shop, but who has a large turnover. Here, a turnover tax would be applied which would make it prohibitive for the firm's turnover to exceed a certain figure.

(4) Finally, the small firm needs to be protected against the big advertising campaigns of the large enterprises. Some advertising may be justified, but, beyond a certain point, it serves to assist the firm with large funds. It involves a waste of economic resources as advertising does not add one scrap to the value of the goods.

A tax on advertising must be paid by the firm, not the consumer, and would be levied in a manner which would make large scale advertising impossible. Incidentally, such a tax would strike a heavy blow to the newspaper and radio monopolies.

It may be objected that the above taxation devices are more applicable to retail industries than manufacturing. But the same principle of differential taxation discriminating against large enterprises is adaptable to manufacturing businesses.

The above, then, are some of the measures designed to assist the small firm against the large enterprise. Such assistance on the part of the State is just common sense. The Government protects us against the burglar; why should it not protect us against the bandit in business?

(iv) CO-PARTNERSHIP NEEDED FOR LARGE-SCALE ENTERPRISE

In some industries large scale production may be required for technical reasons. What is our attitude towards these industries? Can we make effective workers' participation in the ownership of these industries?

OWNERS OR SLAVES

First, it should be remembered that even if large scale production be more efficient in certain industries, the common good may demand a limitation on the size of the industrial undertakings in these industries. Pope Pius XII stated this quite clearly in his Fifth Anniversary Speech: "It should not be said that technical progress . . . in its irresistible currents carries all activities forward towards gigantic businesses and organisations before which a social system founded on the private property of individuals may inevitably collapse."

"Technical progress does not determine economic life as a destined and necessary factor."

"It has, indeed, too often yielded timidly to the demands of the rapacious, selfish plans calculated to accumulate capital indefinitely. Why should it not then yield also to the necessity of maintaining and ensuring private property for all — that corner stone of social order?"

"Even technical progress as a social factor should not prevail over the common good, but should rather be directed and subordinated to it."

Secondly, some of these large scale industries place so much power in the hands of their owners, that their operation should be reserved to the Government. We have already examined the extent to which Government ownership should extend.

Thirdly, if an industrial council were established for an industry, then it could own the large scale enterprise co-operatively on behalf of the members of the Industrial Council.

In this manner control of the large scale enterprise would be possessed by the actual participants in the industry rather than by absentee bureaucrats. The workers would exercise their control through democratically elected committees established at each stage of the productive process. Profits would be distributed among the owners upon some accepted basis.

For example, it may happen that the real solution for the problems of the coal-mining industry lies in the Government expropriating present owners and handing over the mines to the actual participants in the industry, i.e., managers, technicians, and the various categories of workers. They would express their control through representatives elected to the mine councils. Profits would be shared amongst the owners upon a pre-determined basis.

WORKERS' SHARE IN CONTROL

Finally, some form of co-partnership should be adopted in large enterprises to enable the workers to share in the ownership. To quote Pope Pius XII once again:

"Where big business even to-day shows itself more productive there should be given the possibility of tempering the labour contract with a contract of co-partnership."

What does co-partnership imply? Pope Pius XI stated in "Quadragesimo Anno," "In the present state of human society, however, we deem it advisable that the wage contract should, when possible, be modified somewhat by a contract of partnership, as is already being tried in various ways to the no small gain both of the wage earners and of the employers. In this way wage earners are made sharers in some sort in the ownership, or the management, or the profits."

Co-partnership, means participation in ownership, management and profits.

Many social thinkers are realising the need for some form of co-partnership in industry. Few have realised that a radical change in own-

OWNERS OR SLAVES

ership in industry is occurring and that co-partnership is becoming and will become an accepted fact.

We have already noted that shareholders to-day are only nominal owners and that directors have, in the main, ceased to direct. The real controllers or owners of modern industrial enterprises are the technicians and the managers within the factory. But a technician or a manager cannot be a good technician or a good manager unless he enlists the co-operation of his workers (skilled and unskilled), that is, unless he allows the workers to have some "say" in the undertaking, unless he admits them to some control or ownership.

Ownership or control of modern industrial undertakings is increasingly being vested, then, in the actual participants in the industrial process. It but remains to give this important social development legal status and institutional expression.

Legal status can be granted this important development by means of workers' shares; institutional expression by means of factory councils (representative of all participants in the enterprise, and capital), which would replace the present Board of Directors.

(v) CO-PARTNERSHIP CAN BE MADE EFFECTIVE

Co-partnership can be made effective by the issue of workers' shares and by the formation of factory councils.

Provision is made for workers' shares in the Companies Acts of the various Australian States and of New Zealand. Under these Acts workers' shares are acquired as a right of employment by those who personally contribute by their labour to the industrial process.

They are a clear recognition of the fact that production is a two-sided process involving capital and labour. Capital provides the "tools"; labour utilises the tools to produce the goods. Under the terms of the Acts, "worker" includes every employee of the firm from managing director to office boy.

The New Zealand Companies Act and the New South Wales Companies Act permit employees possessing shares in the company to participate in the control of the undertaking. These Acts, then, allow holders of workers' shares the same basic rights (with one exception) as the holders of capital shares. The exception consists in the fact that holders of workers' shares cannot transfer them. They must surrender them when they leave the firm.

RIGHTS OF WORKERS' SHARES

The rights of the holders of workers' shares can be itemised as:

- (1) Sharing of profits;
- (2) Participation in control;
- (3) Participation in the distribution of assets on liquidation.

Workers' shares admit the right of workers to share profits. They admit the fact that labour and capital combine to produce wealth, and that any excess, after the payment of a just wage to labour and of the customary rate of interest to capital, should be shared between capital and labour. Where capital takes little or no risk in the enterprise, it should receive little or no reward above the prevailing rate of interest. The share of profits taken by capital, then, would vary with the risk undertaken by capital.

Profit sharing was explicitly referred to by Pope Pius XI in "Quadragesimo Anno":

OWNERS OR SLAVES

"By the principles of social justice one class is forbidden to exclude the other from a share in the profits."

And again:

"It is therefore entirely false to ascribe the results of the combined efforts of capital and labour to either party alone; and it is flagrantly unjust that either should deny the efficacy of the other and seize all the profits."

Participation by workers in ownership or control of a factory could be made effective through factory councils. Factory councils would be representative of all factors involved in the productive process. Workers (technicians, managers, skilled and unskilled) would elect their representatives to the factory council; similarly, capital would elect its representatives.

The Factory Council, then, would replace the Board of Directors as the controlling body of the enterprise. But the Factory Council would, unlike the Board of Directors, be composed of actual participants in the productive process. It would give institutional expression to the social development which we have already noted — the transfer of ownership or control of industry to the actual participants in the productive process.

The participation by workers in the productive process can be made a reality, then, by the issue of workers' shares and the formation of Factory Councils.

On its formation, the "C.W." adopted as its slogan, "Property for the People." It felt that an enduring and just social order could only be established in Australia by a restoration of ownership to the workers. This pamphlet has outlined the methods by which ownership for all can become something more than a pious hope; it can become an actual fact.

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